

Message Text

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AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

UNCLAS BAGHDAD 797

E.O. 11652: N/A

TAGS: EIND, IZ

SUBJECT: COST INDEX FORMULA FOR MAJOR PROJECTS

REF (A) BAGHDAD 255; (B) BAGHDAD 629; (C) STATE 149761

1. SUMMARY: IRAQ APPEARS POISED TO ENTER "AGE OF AMERICAN CONTRACTOR". WOULD APPRECIATE MORE INFORMATION ON COST INDEX FORMULA END SUMMARY.

2. WARM THANKS TO CHERIE LOUSTAUNAU AND DIBA/CAGNE FOR RECENTLY RECEIVED EEC COST INDEX FORMULA, WHICH WE ARE NOW DISTRIBUTING AND EXPLAINING TO KEY GOI ECONOMIC BODIES. TIMING COULD NOT HAVE BEEN BETTER AS THE AGE OF THE AMERICAN CONTRACTOR IN IRAQ MAY SOON BE UPON US. IF US COMPANIES SUCCEED IN WINNING EVEN 15 TO 20 PERCENT OF THE MAJOR CONTRACTS USINT KNOWS THEM TO BE SERIOUSLY PURSUING, A RESIDENT AMERICAN COMMUNITY OF ONE THOUSAND OR MORE BUSINESSMEN AND THEIR

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FAMILIES IS EASILY IMAGINABLE FOR THE SUMMER OF 1976.

OBTAINING, U.S. AND EUROPEAN CONTRACTORS GENERALLY PREFER THEIR OWN INDIVIDUAL PRICE FORMULAS BUT ALL FIRMS WITH WHICH WE HAVE SPOKEN STRONGLY ENDORSE ANY USG EFFORT ENCOURAGE IRAQIS MOVE AWAY FROM PRESENT BUT WAVERING PREFERENCE FOR FIXED PRICE CONTRACTS.

3. ONE MINISTRY OF INDUSTRY OFFICIAL RECENTLY ASKED US IF THERE IS POSSIBILITY OF RECEIVING SCHOLARLY OR POPULAR LITERATURE MAKING A DETAILED CASE OF ESCALATION FORMULAS OR DEBATING THEIR PROS AND CONS. HE ASKED IF THERE ARE SEMINARS ON THE SUBJECT THAT GOIN ADMINISTRATORS COULD ATTEND. PLEASE ADVISE. THE CONCEPT OF A VARIABLE PRICE FOR RAW MATERIALS AND LABOR IS UNFAMILIAR TO GOI BUREAUCRATS BUT SENIOR ECONOMIC ADMINISTRATORS APPEAR INCREASINGLY OPEN TO THE IDEA. AS THIS CONCEPT GAINS FAVOR IN IRAQ, THE COUNTRY WILL BECOME INCREASINGLY ATTRACTIVE TO US CONTRACTORS.

4. NOT SURPRISINGLY MANY OF US CONTRACTORS NOW HAVING THEIR FIRST HARD LOOK AT IRAQ DURING THIS TRIFLING BUT BUSY SUMMER HAVE EXPERIENCE AND/OR OFFICES IN IRAN. IT IS NOT FAR FETCHED TO COMPARE 1975 ECONOMY AND ASPIRATIONS OF IRAQ (ALLOWING FOR ITS SMALLER POPULATION) WITH THOSE OF IRAN AROUND 1970 WHEN IRAN'S LEADERS FORESAW THE SURGE THAT IS NOW BEING REALIZED BUT WHICH SO MANY WESTERN JOURNALISTS WERE THEN POOH-POOHING (RECALL THE THEN WIDESPREAD SCEPTICISM ABOUT PROPRIETY OF "POOR" IRAN'S LAVISH EXPENDITURES TO CELEBRATE 2500 YEARS OF THE MONARCHY). SURPRISINGLY, SOME OF THESE TEHRAN BASED BUSINESSMEN FIND CONSIDERABLE SIMILARITIES IN IRANIAN-IRAQ APPROACHES TO GETTING THINGS DONE. THEY ALSO PLEASED TO FIND US AND UK EDUCATED TECHNOCRATS ESTABLISHED IN STRENGTH THROUGHOUT MIDDLE AND SENIOR LEVELS OF ALL KEY MINISTRIES. THE ENTHUSIASM AND DEDICATION OF THESE EXPERTS IS ALMOST PALPABLE AND GOES A LONG WAY TO OVERCOME THE CLUMSINESS OF THE BUREAUCRACY ITSELF.
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